



Waste, Fraud, and Abuse in Agency Travel Card Programs

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Summary

Since the enactment of the Travel and Transportation Reform Act (TTRA) of 1998 (P.L. 105-264), which required federal employees to use travel charge cards to pay for the expenses of official government travel, the dollar volume of travel card transactions has increased significantly, growing from \$4.39 billion in FY1999 to \$8.28 billion in FY2008. While the purpose of mandating the use of travel cards was to reduce costs and improve managerial oversight of employee travel expenditures, audits of agency travel card programs conducted since the enactment of the TTRA have found varying degrees of waste, fraud, and abuse at a number of agencies. These findings indicated systemic weaknesses in agency travel card management policies and practices—collectively referred to as internal controls—that cost the government millions of dollars annually.

Among some of the more egregious examples of card misuse identified by auditors are a Federal Aviation Administration employee who charged \$3,700 for laser eye surgery to his travel card, a Department of Defense employee who requested and received reimbursements for 13 airline tickets totaling almost \$10,000 that he did not purchase, and a Department of State employee who took an unauthorized trip to Hawaii on a first-class ticket. Auditors also determined that certain agencies have not collected reimbursement for millions of dollars worth of unused airline tickets, have repeatedly failed to pay their travel card invoices in a timely manner, and have permitted or failed to prevent abuse of premium-class travel privileges.

In response to these findings, Congress has held hearings and introduced legislation that would enhance travel card management and oversight. In addition, the Office of Management and Budget (OMB) has issued government-wide guidance that requires agencies to implement internal controls that are designed to minimize the risk of travel card misuse. This report begins by discussing the structure of agency travel card programs, and then discusses weaknesses in agency controls that have contributed to waste, fraud, and abuse. It then examines relevant legislation introduced or enacted in the 111th Congress, including the Government Charge Card Abuse Prevention Act of 2009 (H.R. 2189 and S. 942), and concludes with observations on the information available to Congress for oversight of agency travel card programs. This report will be updated as events warrant.

Contents

Overview	1
Structure	2
Agencies	2
GSA	2
OMB	3
Travel Card Program Weaknesses.....	4
Ineffective Safeguards Against Fraud and Abuse	5
Failure to Obtain Refunds for Unused Tickets	5
Delinquent Travel Card Accounts	6
Improper Use of Premium Travel	7
Legislation in the 111 th Congress	8
Concluding Observations	10

Contacts

Author Contact Information	11
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Overview

The General Services Administration (GSA) manages the government's charge card program, known as SmartPay2.¹ Through SmartPay2, agencies are able to select charge card products from contracts that GSA has negotiated with major banks. The contracts allow agencies to select different types of charge cards, depending on their needs. SmartPay2 charge card options include travel cards (for airline, hotel, and related expenses), purchase cards (for supplies and services), and fleet cards (for fuel and supplies for government vehicles). This report deals only with travel cards.

The first government travel cards were introduced in the 1980s, but federal employees were not required to use them until passage of the Travel and Transportation Reform Act (TTRA) of 1998 (P.L. 105-264).² The TTRA mandated the use of travel cards in an effort to reduce travel costs and streamline the process of administering agency travel programs.³ All federal employees must now use travel cards for official business travel, unless they travel fewer than five times a year.⁴ Since enactment of the TTRA, the dollar volume of travel card transactions has increased 89%, growing from \$4.39 billion in FY1999 to \$8.28 billion in FY2008.⁵ The number of travel card transactions has risen 45% in the same time period, growing from 31.6 million in FY1999 to 45.8 million in FY2008.⁶

Audits conducted in the decade subsequent to the TTRA's enactment have found evidence of waste, fraud, and abuse in travel card programs at a number of agencies. According to auditors, many agencies have failed to implement adequate safeguards against card misuse. In response to these findings, Congress has held hearings and introduced legislation that would enhance travel card management and oversight. In addition, the Office of Management and Budget (OMB) has issued government-wide guidance that requires agencies to implement internal controls that are designed to minimize the risk of travel card misuse. This report begins by discussing the structure of agency travel card programs, and then discusses weaknesses in agency controls that have contributed to waste, fraud, and abuse. It then examines travel card legislation introduced or enacted in the 111th Congress, and concludes with observations on the information available to Congress for oversight of agency travel card programs.

¹ The General Service Administration's first charge card program, SmartPay, was in effect from 1998 until November 2008. More information on SmartPay and SmartPay2 may be found at <http://www.gsa.gov/Portal/gsa/ep/programView.do?programPage=%2Fep%2Fprogram%2FgsaOverview.jsp&channelId=-13497&oid=10141&pageTypeId=8199&programId=10117&P=FCX6>.

² 112 Stat. 2351.

³ U.S. Congress, Senate Committee on Governmental Affairs, *Travel and Transportation Reform Act of 1997*, report to accompany H.R. 930, 105th Cong., 2nd sess., August 25, 1998, S.Rept. 105-295 (Washington: GPO, 1998), pp. 1-3.

⁴ Federal Travel Regulation (FTR) 301-51.2, at <http://www.gsa.gov/Portal/gsa/ep/channelView.do?pageTypeId=8199&channelId=-16524&specialContentType=FTR&file=FTR/Chapter301p051.html#wp1091084>.

⁵ U.S. General Services Administration, *GSA SmartPay Card Statistics - Current*, at <http://www.gsa.gov/Portal/gsa/ep/programView.do?pageTypeId=8199&oid=11490&programPage=%2Fep%2Fprogram%2FgsaDocument.jsp&programId=10137&channelId=-13503#GSA%20SmartPay%20Card%20Statistics%20-%20Current>.

⁶ Ibid.

Structure

The federal travel card program is implemented by individual agencies, with the involvement of GSA and OMB. In broad terms, agencies establish and maintain their own programs, but they choose travel card services from contracts that GSA negotiates with selected banks, and their programs must conform to the government-wide guidance issued by OMB.

Agencies

Each agency is responsible for establishing its own travel card program. An agency, within the framework of OMB guidance and federal travel regulations, establishes internal policies and procedures for travel card use and management, issues travel cards to its employees, and handles billing and payment issues for agency travel card accounts. Two levels of supervision generally exist within an agency's travel card program. Individual cardholders are assigned to an approving official (AO). The AO is considered the "first line of defense" against card misuse, and agency policies often require the AO to ensure that all purchases comply with statutes, regulations, and agency policies. To that end, an AO may be responsible for reviewing travel requests and approving travel vouchers submitted by the traveler after the trip is completed.

Each agency also appoints an agency program coordinator (APC) to serve as the agency's liaison to the bank and to GSA. Some agencies have APCs for major components or regional offices, in which case one APC is chosen to serve as the agency's lead APC. The APCs are also usually responsible for agency-wide activities, such as activating and deactivating travel cards, monitoring account activity, managing delinquencies, and ensuring that officials and cardholders receive proper training.

GSA

GSA has two primary responsibilities. The first is to negotiate and administer contracts with card vendors on behalf of the government. Since November 2008, agency purchase card programs have been operating under GSA's SmartPay2 initiative. SmartPay2 permits agencies to select a range of credit card products from four banks with which GSA has negotiated contracts.⁷ These contracts establish the prices, terms, and conditions for credit card products and services offered by each bank. Travel card services include both individually and centrally billed accounts. Centrally billed accounts are held by the agency, and are used primarily to purchase transportation services, such as airline tickets. When a travel request has been approved, the agency charges the ticket to its central account and reimburses the bank directly for the cost. Individually billed accounts, by contrast, are held by cardholders, and are generally used to pay for lodging, rental cars, and other expenses, while on official travel.⁸ The bank sends the credit card bill directly to the cardholder, who claims reimbursement for non-transportation expenses from the agency. There is a key contractual distinction between the two types of accounts:

⁷ The four banks providing card services under SmartPay2 contracts are Citibank, GE Capital Financial, JP Morgan Chase, and U.S. Bancorp.

⁸ An agency may require its employees to pay for all of their transportation expenses, including the purchase of airline tickets, with their individual travel cards.

agencies are liable for charges to centrally billed accounts, while cardholders are liable for charges made to individually billed accounts.

GSA is also responsible for publishing the Federal Travel Regulation (FTR), which implements statutory requirements and executive branch policies for travel by federal civilian employees. The Joint Federal Travel Regulation (JFTR) applies to members of the Uniformed Services: the Army, Navy, Air Force, Coast Guard, National Oceanic and Atmospheric Administration Corps, and United States Public Health Service. The JFTR is promulgated by the Per Diem, Travel, and Transportation Allowance Committee, which is chartered under the Department of Defense (DOD).

OMB

OMB issues charge card management guidance that all agencies must follow. This guidance, located in Appendix B of OMB Circular A-123, establishes agencies' responsibilities for implementing their purchase, travel, and fleet card programs.⁹ Chapter 4 of Appendix B identifies the responsibilities of charge card managers in developing and implementing risk management controls, policies, and practices (often referred to collectively as "internal controls") that mitigate the potential for charge card misuse.¹⁰ Agency charge card managers must ensure that

- cardholder statements and account activity reports are reviewed to monitor delinquency and misuse;
- employees are asked about questionable or suspicious transactions;
- payments are timely, accurate, and appropriate;
- disciplinary actions are initiated when cardholders misuse their cards;
- ATM cash withdrawals are reviewed for reasonableness and association with official travel; and
- appropriate training is provided for cardholders, approving officials, and other relevant staff.

Chapter 4 also identifies administrative and disciplinary actions that may be imposed for charge card misuse, such as deactivation of employee accounts, and it requires managers to refer suspected cases of fraud to the agency's Office of Inspector General (IG) or the Department of Justice. To address delinquency in travel card programs, agencies are required to have split disbursement and salary offset procedures in place for individually billed accounts. Split disbursement is the process by which an agency divides a travel voucher reimbursement between the charge card vendor and the cardholder, sending each party the amount it is owed. Salary offset is the process by which an agency deducts from an employee's payroll disbursement the amount of an undisputed, delinquent travel card amount, on behalf of the charge card vendor.

⁹ Office of Management and Budget, *Management's Responsibility for Internal Control*, Circular No. A-123, at http://www.whitehouse.gov/omb/circulars/a123/a123_appendix_b.pdf.

¹⁰ Risk management generally refers to efforts to reduce or eliminate payment delinquencies, charge card misuse, fraud, and other forms of waste and abuse.

Chapter 2 of Circular A-123 provides OMB with oversight tools by requiring agencies to submit each year a charge card management plan that details their efforts to implement and maintain effective internal controls and minimize the risk of card misuse and payment delinquency. Delinquent payments to charge card vendors are costly to the government in two ways. First, the government must pay late fees for delinquent payments to centrally billed accounts. (Individual cardholders are responsible for paying late fees on individually billed accounts.) Second, the government loses rebate opportunities when payments are late. Agencies receive rebates from charge card vendors based on volume and timeliness of payments for both central and individually billed accounts, so late payments to either type of account reduces the amount of rebate funds earned.

In an effort to monitor and reduce delinquent payments, Chapter 6 of Circular A-123 requires agencies subject to the Chief Financial Officers (CFO) Act of 1990, and the Department of Homeland Security, to report to OMB the percentage of delinquent individual and centrally billed accounts each month.¹¹ In addition, agencies must assess the credit worthiness of all new applicants for individually billed travel cards prior to issuing a card. Based on an applicant's credit scores, agencies may reduce the dollar limit for the card, issue a pre-paid card that automatically restricts dollar amounts and types of transactions allowed, or restrict the use of the card at ATMs.

Travel Card Program Weaknesses

GAO and IG audits of agency travel card programs have attracted congressional attention with their revelations of waste, fraud, and abuse. Audits have revealed that employees in a wide range of agencies have used their travel cards to purchase items or services for their personal use, and travel in premium-class accommodations without authorization. Audits have also found that agencies have failed to ensure that they claim reimbursement for unused airline tickets, or that their travel card invoices are paid in a timely manner. These findings indicate systemic weaknesses in agency travel card management policies and practices that cost the government millions of dollars annually.

The following paragraphs discuss some of the weaknesses identified in audit reports published between FY2003 and FY2009. While these reports are the best available source of information about problems with agency travel card programs, most of them examine individual agencies, so the extent to which these weaknesses are shared with other agencies is not known. In addition, without follow-up audits, it is not known how many of these weaknesses have been partially or wholly resolved.

¹¹ The agencies that are required to report travel card account delinquencies are: the Nuclear Regulatory Commission, Department of Housing and Urban Development, General Services Administration, Department of Education, Department of the Treasury, Department of Transportation, Department of Commerce, Social Security Administration, Small Business Administration, Department of Justice, Department of Homeland Security, Department of Veterans Affairs, Environmental Protection Agency, Department of Labor, National Aeronautic and Space Administration, Office of Personnel Management, Department of Energy, United States Department of Agriculture, National Science Foundation, Department of Defense, Department of State, Agency for International Development, Department of the Interior, and Department of Health and Human Services. Travel card delinquency information is available online, at <http://fido.gov/mts/cfo/public/200903/Indicators-200903-00.htm>.

Ineffective Safeguards Against Fraud and Abuse

As noted previously, OMB guidance requires agencies to monitor employee travel card activity for improper or unauthorized transactions. Audits of agency travel card programs, however, have identified egregious examples of fraudulent and abusive purchases at many agencies. Among the many examples of travel card misuse cited by auditors are a Federal Aviation Administration employee who charged \$3,700 for laser eye surgery to his travel card, a DOD employee who requested and received reimbursements for 13 airline tickets totaling almost \$10,000 that he did not purchase, and a Department of State employee who took an unauthorized trip to Hawaii on a first-class ticket.¹²

One of the primary reasons these types of fraudulent and abusive transactions occur is ineffective monitoring of cardholder transactions. Each cardholder is assigned to an approving official who is supposed to review their monthly statements and identify questionable or unauthorized transactions. This supervisory review is considered the first line of defense against card misuse, and when it is not done consistently or thoroughly, the likelihood that fraud or abuse might occur undetected increases. An audit of the Department of Housing and Urban Development's travel program, for example, found that 6.3% of all travel card purchases were improper—a consequence “largely due” to inconsistent transaction monitoring by approving officials.¹³

Approving officials, some note, have other workload requirements that compete with travel card review duties and limit the amount of time spent examining cardholder statements. Software to identify potentially fraudulent charges is available and could reduce the time administering officers spend reviewing cardholder statements. Another tool for preventing card misuse is to block charges from certain merchant categories. It is possible for card vendors to block charges made at certain businesses, such as massage parlors, pawn shops, and escort services. While some agencies have declared merchant blocks to be a best-practice and utilized it extensively, other agencies have not. An audit of the Department of Transportation found that it had requested blocks on 46 merchant categories, as compared to DOD and Education, which had both requested blocks on over 200 merchant categories.

Failure to Obtain Refunds for Unused Tickets

Federal civilian and military travelers are required to purchase airline tickets from air carriers with which GSA has negotiated contracts, with limited exceptions.¹⁴ Tickets purchased under these contracts are fully refundable, and agencies are authorized to recover payments made to contract carriers for tickets they purchased but did not use.¹⁵ Because airline tickets are purchased

¹² U.S. Department of Transportation, Office of Inspector General, *Audit of Use of Government Travel Charge Cards*, FI-2003-049, August 28, 2003, p. 3, at <http://www.oig.dot.gov/StreamFile?file=/data/pdfdocs/fi2003049.pdf>. U.S. Government Accountability Office, *DOD Travel Cards: Control Weaknesses Resulted in Millions of Dollars of Improper Payments*, GAO-04-576, June 2004, p. 13, <http://www.gao.gov/new.items/d04576.pdf>. U.S. Government Accountability Office, *State's Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*, GAO-06-298, March 2006, p. 16, at <http://www.gao.gov/new.items/d06298.pdf>.

¹³ U.S. Department of Housing and Urban Development, Office of Inspector General, *Controls Over HUD'S Travel Card Program Need Improvement*, 2005-dp-0002, December 1, 2004, pp. 5-6, <http://www.hud.gov/offices/oig/reports/internal/ig5d0002.pdf>.

¹⁴ FTR 301-10.106.

¹⁵ U.S. General Services Administration, *Airfares: Frequently Asked Questions*, <http://www.gsa.gov/Portal/gsa/ep/> (continued...)

through a centrally billed account rather than by individual cardholders, the agency is responsible for submitting the refund request. Agencies are therefore expected to have in place adequate policies for identifying unused tickets and initiating the refund process.

Audits conducted within the past five years have found that some agencies have not independently determined whether tickets have been used; rather, they have relied on travelers to notify the travel office when tickets were unused. This means that if a traveler fails to provide notification of an unused or partially used ticket, then the agency would not know to claim a refund. This has proved to be a costly weakness. A GAO audit of the travel program at the Department of Defense found that over a period of seven years, DOD may have purchased more than \$100 million in airline tickets that were not used and had not been processed for refunds, largely due to the want of traveler notification.¹⁶ Similarly, a GAO audit of the Department of State's centrally billed travel account concluded that over an 18-month period, the department had failed to request reimbursement for \$6 million in unused airline tickets, also due to a breakdown in traveler notification.¹⁷ It is not known how many other agencies lack an independent method for identifying unused tickets, or the total cost to the government of lost refunds.

Delinquent Travel Card Accounts

Under the terms of their travel card contracts, agencies receive rebates from card vendors based on the dollar volume of their charge card transactions and their payment performance. Generally, the higher the net dollar volume of transactions, and the quicker the agencies and individual cardholders make their payments, the greater the rebates earned by the agencies. When centrally or individually billed accounts are delinquent—outstanding for more than 60 days—agency rebates are reduced.¹⁸ When payments on individual accounts are more than 180 days late, the charges are usually written off as bad debt by the card vendors, which also reduces agency rebates.

According to GSA, federal agencies received approximately \$187 million in rebates in FY2008 for purchases made with all types of government credit cards, including travel cards.¹⁹ Delinquencies, however, prevent the government from earning the maximum potential rebates. The most recent data available from the Office of Management and Budget at the time this report was published showed that in January 2009, the government-wide delinquency rates for centrally billed and individually billed travel card accounts stood at 19.23% and 6.25%, respectively.²⁰ Rates varied widely across agencies, with a small number of agencies reporting relatively high

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¹⁶ U.S. Government Accountability Office, *DOD Travel Cards: Control Weaknesses Led to Millions of Dollars Wasted on Unused Airline Tickets*, GAO-04-398, March 2004, p. 7, at <http://www.gao.gov/new.items/d04398.pdf>.

¹⁷ U.S. Government Accountability Office, *State's Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*, GAO-06-298, March 2006, p. 23, at <http://www.gao.gov/new.items/d06298.pdf>.

¹⁸ Office of Management and Budget, *Metric Tracking System, Travel Card Delinquency Rates*, at <http://fido.gov/mts/cfo/public/200903/Indicators-200903-00.htm>.

¹⁹ Data provided by e-mail to the author from the General Services Administration.

²⁰ Office of Management and Budget, *Metric Tracking System, Travel Card Delinquency Rates*, at <http://fido.gov/mts/cfo/public/200903/Indicators-200903-00.htm>.

delinquency rates, and many agencies reporting rates at or near zero. Four agencies had centrally billed delinquency rates above 10.0%—DOD (19.92%), the National Aeronautic and Space Administration (NASA, 15.77%), the Agency for International Development (AID, 14.02%), the U.S. Department of Agriculture (USDA, 10.09%)—while another 18 agencies had centrally billed account delinquency rates of less than 1.0%. OMB’s data showed that three agencies had individually billed account delinquency rates in excess of 5.0%—the Department of Interior (DOI, 9.67%), AID (8.12%), and DOD (6.64%)—while a dozen other agencies had individually billed account delinquency rates of less than 1.0%.

Auditors have identified some of the causes of travel card account delinquency. Centrally billed accounts may become delinquent when an agency deducts potentially fraudulent charges from its payments without following the dispute process established in their travel card contracts.²¹ When an agency fails to properly dispute the charges it deducts, then the card vendor considers the payment incomplete, and the agency’s rebate amount is reduced. However, when an agency notifies the card vendor that it is disputing part of its invoice, the agency is granted time to investigate the potentially fraudulent charges without causing the account to be considered delinquent.

Payments to individually billed accounts are the responsibility of cardholders, and audits have found that workforce demographics influence delinquency rates: employees with higher pay and more years of work experience are more likely to pay their bills on time, while younger employees and those at lower pay rates are more likely to be delinquent.²² There also appears to be a link between travel card abuse and delinquency: agency employees who misuse their cards are more likely to have delinquent accounts.²³

There are no publicly available data on the dollar value of potential rebates the government has lost due to account delinquencies, although it is estimated that delinquent accounts have cost individual agencies millions of dollars in lost rebates.²⁴

Improper Use of Premium Travel

The FTR mandates use of coach-class accommodations for both domestic and international travel, with a limited number of exceptions for the use of premium-class accommodations.²⁵ The FTR identifies two types of premium class accommodations: first-class, which is generally the highest class of accommodation offered by airlines, in both cost and amenities, and business-class, which is above coach-class but below first-class. First-class accommodations may be used

²¹ U.S. Government Accountability Office, *State’s Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*, GAO-06-298, March 2006, p. 27.

²² U.S. Government Accountability Office, Department of Health and Human Services: Controls over Travel Program are Generally Effective, but Some Improvements Are Needed, GAO-03-334, February 2003, p. 13, at <http://www.gao.gov/new.items/d03334.pdf>.

²³ U.S. Department of Transportation, Office of Inspector General, *Audit of Use of Government Travel Charge Cards*, FI-2003-049, August 28, 2003, p. 4.

²⁴ U.S. Government Accountability Office, *State’s Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*, GAO-06-298, March 2006. U.S. General Accounting Office, *Travel Cards: Control Weaknesses Leave Navy Vulnerable to Fraud and Abuse*, GAO-03-148T, October 8, 2002, p.4.

²⁵ FTR 301-10.122 to 301-10.124.

only when no coach or business-class accommodations are available, it is necessary to accommodate a disability, or when “exceptional” security circumstances require it. Business-class may be used under the same circumstances as first-class, but also when coach-class accommodations are available but unsanitary, the use of business-class accommodations results in overall cost-savings, when a non-federal source is paying for the ticket, when “required because of agency mission,” or when the scheduled flight time, including stopovers and change of planes, is more than 14 hours, and the destination is outside of the continental United States.

Some agencies failed to ensure that premium-class accommodations were used only when justified by the FTR, which may have increased the government’s travel costs by tens of millions to hundreds of millions of dollars. An audit of the Department of State’s centrally billed travel accounts, which are used to purchase transportation services for State Department employees and for employees of other foreign affairs agencies, found that nearly half of all airline tickets purchased were for premium-class travel.²⁶ Moreover, auditors estimated that two-thirds of those premium-class tickets were either not justified by the circumstances, not authorized by the department, or both.²⁷ Poor oversight resulted in numerous violations of the FTR and departmental travel regulations. The audit found, for example, that travelers signed their own upgrades, approved their own travel, or had a subordinate authorize premium-class accommodations.²⁸ In addition, auditors determined that many executives used premium-class repeatedly on trips that were less than 14 hours, and diplomatic couriers used premium-class accommodations even when they were not transporting classified materials (which could have justified first-class or business-class travel on security grounds).²⁹ The cumulative cost of these abuses may run into the millions of dollars, given that the Department of State spent nearly \$140 million on premium-class travel during the audit period, and the cost of a premium-class ticket can be two to three times that of a coach-class ticket.

A 2003 audit preformed by GAO identified similar weaknesses at DOD, where 72% of premium-class ticket purchases over a two-year period were found to be unauthorized and 73% were not justified.³⁰ Thus, roughly \$90 million of the \$123 million in premium-class tickets purchased by DOD during those two years were not authorized, not justified, or both. One of the key internal control weaknesses identified by GAO was oversight: DOD “performed little or no monitoring” of premium-class travel.

Legislation in the 111th Congress

The 111th Congress has addressed charge cards generally, and travel cards specifically, through legislation. Section 741 of the Omnibus Appropriations Act, 2009 (P.L. 111-8) requires agencies to evaluate the credit worthiness of an individual before issuing the individual a government travel card, and agencies may not issue a government travel card if the individual either lacks a credit history or has an “unsatisfactory” credit history. It further requires agencies to establish

²⁶ U.S. Government Accountability Office, *State’s Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars*, p. 11.

²⁷ *Ibid.*, p. 11.

²⁸ *Ibid.*

²⁹ *Ibid.*, p. 6.

³⁰ U.S. Government Accountability Office, *Travel Cards: Internal Control Weaknesses at DOD Led to Improper Use of First and Business Class Travel*, GAO-04-229T, November 6, 2003, pp. 2-3.

guidelines and procedures for disciplinary actions to be taken against agency personnel for improper, fraudulent, or abusive use of government charge cards. Both of these requirements were enacted in previous appropriations legislation, but had to be enacted for FY2009 because appropriations language is generally considered in effect only for the fiscal year of the appropriations act, unless language in the act specifies otherwise.

The Government Charge Card Abuse Prevention Act of 2009 was introduced by Representative Joe Horn (H.R. 2189) and Senator Charles Grassley (S. 942) on April 30, 2009.³¹ The legislation includes provisions applicable to purchase cards and travel cards. Section 3 would require agencies to implement a series of internal controls over their individually billed accounts, including policies that ensure they

- maintain records of cardholder names and credit limits;
- periodically review each cardholder's need for a travel card;
- monitor and record rebates and refunds;
- provide adequate training on travel card policies and procedures;
- evaluate the creditworthiness of travel card applicants and use that information to determine whether a card should be issued;
- utilize effective systems, techniques, and technologies to prevent and identify card misuse; and
- close travel card accounts of employees that have left their agencies.

Section 3 would also require agencies to have policies in place that identify the penalties that could be applied to employees who misuse their travel cards, and to report semiannually to OMB on violations of travel card policies that have occurred and the actions taken by the agency in response to those violations. Section 3 also would place requirements on agency inspectors general (IGs). It would require agency IGs to

- periodically assess agency travel card controls to identify the risk of illegal, improper, or erroneous travel charges and payments;
- periodically audit travel card transactions to identify potentially illegal, improper, or erroneous uses of travel cards;
- report audit findings to the agency head; and
- report to OMB, who would in turn report to Congress and the Comptroller General, about agency implementation of audit recommendations.

Section 4 would require agencies to (1) review travel vouchers to ensure they do not reimburse employees for purchases made through the centrally billed account; (2) dispute unallowable and erroneous charges and track disputed charges until they are resolved; and (3) submit requests for refunds for unused tickets and track refund requests until they are resolved.

³¹ H.R. 2189 was referred to the Subcommittee on Government Management, Oversight, and Reform, on June 26, 2009, and no further action has been taken. S. 942 was referred to the Senate Committee on Homeland Security and Government Affairs on April 30, 2009, and was ordered to be reported without amendment favorably on May 20, 2009.

If enacted, the act would address some of the weaknesses that auditors have identified in agency travel card programs. In particular, the required internal controls for centrally billed accounts are designed to improve the capacity of agencies to obtain refunds for unused tickets, dispute improper charges, and avoid reimbursing employees for charges which they did not incur. Proponents argue that these requirements will save the government tens of millions of dollars annually.

In addition, the act would likely expand the role of IGs in travel card oversight by requiring them to audit agency travel card programs. This could result in a significant increase in audit activity for programs which have been audited relatively infrequently, if at all. As a consequence of increased audit activity, agency managers, OMB, and Congress would arguably have more information available for assessing the adequacy of agency travel card controls and determining the scope and nature of program weaknesses. The language of the bill, however, leaves it to the discretion of agency IGs to determine how often to conduct the audits, only requiring that audits be performed “periodically.” The availability of information may therefore vary widely among agencies, if, for example, some IGs audited their programs annually, while others did so only once every five years.

While the act would require agencies to implement a number of internal controls, transaction monitoring by approving officials was not specifically identified as one of them. Strengthening agency internal controls over transaction monitoring may be one of the most effective ways to reduce the risk of fraud, because, as noted earlier, auditors have found travel card misuse is often linked to poor transaction monitoring by approving officials.

Concluding Observations

Congressional oversight of agency travel card programs might be hindered by the lack of current, comprehensive information on program weaknesses. Auditors have identified tens of millions of dollars of wasteful, fraudulent, and abusive travel card transactions; but these audit reports have examined a limited number of agencies and many are several years old. In addition, OMB does not report certain information that might be useful in assessing the costs of travel card waste, fraud, and abuse, such as the amounts of potential rebates agencies fail to earn. Without access to more timely and comprehensive information, Congress may not know the extent of the problems discussed in this report, or their causes. Key questions that cannot be fully answered without additional information include the following: Why do some agencies have such high delinquency rates? How many millions of dollars in rebates are lost each year due to delinquent payments? How widespread is the abuse of premium travel? How often do agencies fail to detect fraudulent travel card transactions, and at what cost to the government?

One option for improving the travel card program information available to Congress might be to require GAO, agency IGs, or a combination of both, to conduct additional audits of agency travel card programs. Audits might be requested for every agency, as the Government Charge Card Abuse Prevention Act proposes, or only for agencies with higher-risk travel card programs—those with the highest dollar volume; the highest delinquency rates; or previous audit findings that indicate significant levels of waste, fraud, or abuse. Audits of the 10 largest travel card programs, for example, would encompass approximately 90% of federal travel card dollars spent annually. Congress might also require GAO and agency IGs to perform follow-up audits to determine the extent to which agencies had implemented the recommendations from the initial audit.

Another option would be to require OMB to collect certain travel card data and report them to Congress. Information on potential and actual rebates earned, broken down by agency and by card type (travel, purchase, fleet, or integrated) is not currently available, for example, but might be useful in identifying agencies that are failing to maximize rebate opportunities.

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